

Looking Back on Past Mid-Term Management Plans

Here we take a retrospective look at the past 10 years of mid-term management plans, from the second to the fourth. (Note: Mid-Term Management Plan is abbreviated as MTP)

	The Second MTP Year to March 31, 2007–Year to March 31, 2009	The Third MTP Year to March 31, 2010–Year to March 31, 2013	The Fourth MTP Year to March 31, 2014–Year to March 31, 2016
Vision Positioning	<p>To become No. 1 in total quality</p> <p>Establish foundation for NEXT10 (where NSK should be at 100th anniversary of establishment in 2016)</p> <ul style="list-style-type: none"> Transition to growth strategy Improvement of profitability 	<p>Responding to paradigm shifts</p> <p>Reorganizing business foundation toward net sales of ¥1 trillion</p> <ul style="list-style-type: none"> Period to establish and consolidate corporate fundamentals appropriate for a company with net sales of ¥1 trillion Continue measures to become No. 1 in total quality 	<p>Establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion</p> <ul style="list-style-type: none"> Establish corporate fundamentals appropriate for a company with net sales of ¥1 trillion in 2016, the 100th anniversary of NSK's foundation Implement measures to achieve mid-term targets Continue to implement basic strategies (focus on profitability, growth in emerging countries, global management)
Outline of the MTP	<p>Common Group Strategies</p> <ol style="list-style-type: none"> Strengthen manufacturing capability Strengthen product development capability Strengthen overseas profitability Strengthen global management capability <p>Positioning of Each Business</p> <p>Industrial machinery bearings: Profit growth driver</p> <p>Automotive products: Stable profit foundation</p> <p>Precision machinery and parts: Steady contribution to total profits</p> <p>Foundation to Underpin Measures</p> <p>Global <i>hitozukuri</i> (human resource development) supporting growth</p> <p>Production innovation through thorough <i>monozukuri</i> awareness</p> <p>Rebuilding of global IT systems</p>	<p>Our Three Core Management Strategies</p> <ol style="list-style-type: none"> Enhancement of business-based management (sales & marketing, production and technological divisions brought under business headquarters management) Growth strategies Profitability improvement <p>Specific Measures</p> <p>A. Enhancement of business-based management Autonomous management by integrated business management and the clarification of divisional responsibilities</p> <p>B. Growth strategies</p> <ol style="list-style-type: none"> Increase presence in emerging markets Expand environmental, infrastructure and resource businesses Respond to technological innovation <p>C. Profitability improvement</p> <ol style="list-style-type: none"> Proactive sales strategy (strengthen proposal-based sales capabilities) Reorganize global production sites Accelerate new product development 	<p>Business Strategies</p> <p>Growth with focus on profitability</p> <ol style="list-style-type: none"> Growth in emerging countries Enhancement of customer and sector strategies Production and technological innovation capabilities Strategic alliances <p>Corporate Foundation</p> <p>Develop management capability to handle ¥1 trillion in sales volume</p> <ol style="list-style-type: none"> Enhancement of corporate governance and compliance Reform of business structure Advancement of global management <p>Basics of MTP (Priority Issues)</p> <p>Safety, quality and compliance</p>
Looking Back	<p>Until the second year of the Second MTP (the year ended March 2008), the Company steadily expanded its business due to factors that included favorable global economic conditions and the added impetus provided by high demand for infrastructure and resource-related business in emerging markets, as well as the weak yen. As a result, the Company achieved record-high sales, as well as operating and ordinary income, for four consecutive fiscal years.</p> <p>However, Lehman Brothers filed for bankruptcy in the autumn of the third and final fiscal year, fiscal 2008, and the environments of all businesses and markets suffered significant deterioration due to the global economic crisis. As emergency revenue measures, the Company thus made adjustments to its production levels and reduced fixed costs, but business performance in the final year of the Second MTP (the year ended March 2009) fell short of targets.</p>	<p>Amid the severe business conditions that followed the collapse of Lehman Brothers, the Company responded to the paradigm shift typified by the keywords "emerging markets" and "technological innovation," worked on reorganizing its business structure toward net sales of ¥1 trillion and achieved some measure of success.</p> <p>Nevertheless, the upheaval in the business environment, including a sharp appreciation of the yen and fluctuations in global demand, continued to intensify, and the numerical targets of the final year of the Third MTP (the year ended March 2013) were not achieved.</p> <p>Furthermore, having been found guilty of violating the Antimonopoly Law in a 2013 case involving a bearing product cartel, the Company received a cease-and-desist order and was ordered to pay financial penalties. As a priority and urgent task, the Company undertook measures to strengthen its compliance system toward the early restoration of trust and to prevent any reoccurrence.</p>	<p>Against a backdrop of improvements in the profitability of the Automotive Business and assisted by an underlying weakness in yen exchange rates, the Company achieved all its numerical targets, including those for net sales and profit, a year ahead of schedule in the second year of the Fourth MTP. The Company also improved on the targets in the MTP's final fiscal year. Significant growth was recorded in the Chinese business and in the EPS business in particular.</p> <p>With regard to profitability, the Company achieved an operating income margin of 10.0% in the fiscal year ended March 2015 and maintained a high level of 9.7% in the final fiscal year. In contrast, net sales and profitability in the Industrial Machinery Business were on a declining trend, buffeted by the slowdown in global economic growth, including the deceleration in China.</p>
Achievements	<ul style="list-style-type: none"> Strengthened the industrial machinery bearings business (improved roller bearing supply capacity, expanded aftermarket sales networks) Expanded the global business and improved revenues in the automotive products business Improved overseas profitability, primarily in Europe and Asia Expanded business structures in China and India 	<ul style="list-style-type: none"> Strengthened its business foundation in China (established a production system for a full product lineup, built an autonomous management system within China) Exceeded the MTP target for global expansion of the EPS business Enhanced profitability following the reorganization of the Precision Machinery and Parts Business Advanced local production and local procurement 	<ul style="list-style-type: none"> Achieved all the MTP numerical targets Improved profitability on a consolidated basis Expanded business in China, increased EPS sales Made progress with the global management structure Strengthened and enhanced compliance
Issues and Shortcomings	<ul style="list-style-type: none"> Rapid responses to changes in the demand environment (reflect on effects of the Lehman Brothers collapse, particularly in Japan) Quality improvements in the Precision Machinery and Parts Business are incomplete Even though measures to boost earnings have been carried out, including partial plant shutdowns in the U.S. business, further improvement in profitability is needed 	<ul style="list-style-type: none"> Declines in profitability levels due to the extremely high value of the yen and inadequate responses to changes in the business environment, including extreme fluctuations in demand Decrease in the Industrial Machinery Business sales ratio Strengthening of the compliance system to restore trust and prevent any reoccurrence following the cartel incident 	<ul style="list-style-type: none"> Continue to build foundation as a company with ¥1 trillion in net sales Establish profitability not greatly affected by business cycles or fluctuations in the amounts of raw materials or exchange rates Promote new products and development in new areas

Outline of the Fifth Mid-Term Management Plan

The Fifth MTP

[Year to March 31, 2017-Year to March 31, 2019]

Under the banner of NSK Vision 2026: Setting the Future in Motion, the NSK Group formulated its new Fifth MTP, which covers the three-year period from the fiscal year ended March 2017 to the fiscal year ending March 2019.

Positioning the Fifth MTP period as the first three years for embarking on a new chapter in the evolution toward the next 100 years, the Company will advance initiatives supported by two main policy pillars: operational excellence as well as innovate and challenge. With these two policies, NSK targets the three management tasks of "achieving sustainable growth," "reconstructing its profit base" and "expanding into new growth fields."

NSK Vision 2026 Setting the Future in Motion

Embark on New Chapter in Evolution Towards Next 100 Years

Operational Excellence

Sustainable Growth
Deliver new value to society
Work together with stakeholders

Reconstructing the Profit Base
Increase and stabilize profitability
Monozukuri, quality, personnel

Expand into New Growth Fields
Growth in core businesses
New products, new fields

Innovate and Challenge

Industrial Machinery, Automotive

Safety, Quality, Compliance

Vision Positioning / Outline of the MTP

Strategies by Business

Industrial Machinery Business

Respond to Changes in the Business Environment and Expand Target Fields

Operational Excellence

- Reinforce response capabilities and profitability
- Enhance product development capabilities

Innovate and Challenge

- Concentrate resources on focus sectors
- Create new added value and demand

For Progress regarding the Fifth MTP, please see P. 32.

Automotive Business

Reinforce Profit Base and Establish Platform for Future Growth

Operational Excellence

- Expand drivetrain business, achieve growth with accompanying profitability
- Expand customer portfolio for EPS

Innovate and Challenge

- Respond to the technology evolution (high efficiency, electrification, autonomous driving)
- Develop lower-assist EPS

For Progress regarding the Fifth MTP, please see P. 36.

Numerical Targets

	FY2018 (Initial plan)
Net sales	¥1 trillion
Operating income	¥100 billion
Net income (attributable to owners of the parent)	¥70 billion
Operating income margin	10.0%
ROE	10.0% or more
Net D/E ratio	0.3 times
Exchange rate	US\$ = ¥105 Euro = ¥120 1RMB = ¥16.7
	FY2016 – FY2018 Initial plan
Capital expenditures (including intangible assets)	¥180 billion
Depreciation and amortisation	¥130 billion
R&D expenses (on a statutory basis)	¥40 billion

For Progress regarding the Fifth MTP, please see PP. 28 -29.

Moving into the final year of the MTP

In the year ended March 31, 2018, the second year of the Fifth MTP, the global economy remained strong in every region. Amid favorable demand, the Company focused on maximizing output and achieved its final year sales target of ¥1 trillion one year ahead of plan, while simultaneously setting new highs for operating income and net income. For the fiscal year ending March 31, 2019, we believe it important to maintain focus on changes in the operating environment due to trade friction and geopolitical risks, though the operating environment at present remains favorable. In the fiscal year ending March 31, 2019, the last year of the Fifth MTP, we remain focused on progress in meeting priority targets and will continue to work to assure operating income of ¥100 billion and an operating income margin in double digits.